Analysing the 2025 Trump Tariffs & Their Impact On The Indian Economy

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PREFACE

In April 2025, the United States, under the re-elected Presidency of Donald Trump, announced extremely high tariff rates on all imports from countries with trade surpluses, including India. The Tariff Policy aimed to promote domestic manufacturing and production in America and bring back the major production facilities back to the USA, but reinstated fears of a global trade war. India, which is an important trade partner with America relies heavily on its exports to America, experienced immediate consequences across sectors such as pharmaceuticals, jewellery, textiles, and the IT sector leading to a rapid decline in the Indian Stock Market. This report looks into the impact of these tariffs on India's economy and how it has been affected. This report analyses how India is navigating the economic and potential trade war from these aggressive tariff measures. The report also analyses whether these tariffs could accelerate India's economic growth or slow it down.

What are tariffs?

Tariffs are a custom duty or tax imposed by the government on the import and export of goods between two countries. Tariffs on imported goods are usually done to boost domestic manufacturing, promote self-reliance, to reduce trade deficit and pressurise other countries to change their trade policies. This is the most common method utilised by governments. Tariffs on export of goods is usually done when the government wants to control domestic prices or during emergencies like war, this is in extremely rare situations and mostly unlikely.

Trump & Tariffs

Tariffs have always been a disaster for the economy in general. They have never benefitted anyone and even top economists do not support or endorse it. The idea of U.S. imposing tariff on the import of goods from other countries can be traced back to the 1920s. The Smoot–Hawley Act of 1930 launched aggressive tariffs that ignited global retaliatory measures from various countries and contributed to the Great Depression which destroyed the U.S. economy and took several years to recover. Though India was not an independent

nation at the time, the effects of reduced U.S. consumer demand was felt in its colonial economy. On March 2018, the U.S. implemented a 25 % tariff on steel and a 10 % tariff on aluminium imports, this ultimately led to a trade war between India and china. India, as a key exporter of these metals to the U.S., faced increased costs, leading to increased trade tensions between the two countries. In June 2019, the U.S. revoked India's GSP (Generalised System Of Preferences) status, which had allowed customs-free entry for many Indian products into the U.S. Market. This withdrawal affected nearly $5.6 billion worth of Indian exports to USA, impacting sectors like textiles, pharmaceuticals, and automobile parts.

When President Trump lost the elections in 2020, trade relations between the U.S. and India remained smooth and efficient. Trump was re-elected as the president of U.S. and announced significant tariff measures on April 2nd which were to immediately go into effect after his announcement. U.S. imposed severe tariff measures on key trade countries include. China was imposed with reciprocal tariff of 34 % (with an already existing 20%), EU was imposed with a reciprocal tariff of 20% and many more countries were present in Trump’s list as well. Goods imported from India were tariffed at a rate of 26% which might be a possible hindrance in the

future. As of April 10th 2025, President Trump has put the tariffs on a pause for 90 days except China which is currently at total of 145% tariff on its imported goods.

Impact On India

The extremely high tariff rate on India has significantly affected the entire Indian market with the stock market falling. This not only affected India but the whole world as well. On April 7th, 2025, markets all over the world suffered significant losses erasing more than 3 trillion dollars from the U.S. Stock Market. Between April 7 and April 10, 2025, the Indian stock market experienced significant losses primarily due to escalating global trade tensions following the announcement of new U.S. tariffs. On April 7, the BSE Sensex fell by 2.95 % while the NSE Nifty 50 fell by 3.24 5. This sharp decline resulted in stock depreciation of approximately ₹14 lakh crore for companies listed on the BSE. The decline in the stock market was catastrophic and impacted Indian investors, with 12 out of 13 major sectors recording losses. India's top four billionaires—Mukesh Ambani, Gautam Adani, Savitri Jindal & family, and Shiv Nadar vsaw their combined net worth fall by $10.3 billion according to Forbes' real-time billionaire list, as a result of the market’s poor performance. The information technology sector was

notably affected, experiencing a 3 % drop due to concerns over reduced U.S. consumer spending. Pharmaceutical stocks also fell by 1.8 % following threats of significant tariffs on pharmaceutical imports by the U.S. administration. In response to this, the Reserve Bank of India (RBI) had no choice but to impose a repo rate cut and shifted its policy stance to “accommodative" from “neutral” to support economic growth in the middle of the escalating trade tensions. Despite these measures, the market reaction remained unstable due to the prevailing global uncertainties. The Repo Rate was cut from 6.25 % to 6 % and the GDP growth forecast downward from 6.7% to 6.5 % for FY 2025-2026. India’s exports to the U.S. are heavily concentrated in sectors like electronics, jewellery and pharmaceuticals which collectively account for almost 38% of the total 78 billion dollar trade deal with the U.S. The implementation of a 26% U.S. tariff in April 2025 therefore disadvantageously affects the Indian sectors with unpredictable impacts on employment and FDI inflows.

Below is a table which depicts India's export to U.S. :-

Electronics	$11.1 billion	14.3%
Jewellery	$9.9 billion	12.8%
Pharma Products	$8.1 billion	10.4%
Nuclear Reactors, Parts, Machinery	$6 billion	7.8%
Refined Petroleum Products	$4.6 billion	5.9%
Articles of iron and steel	$2.8 billion	3.6%
Textiles	$2.6 billion	3.4%
Organic chemicals	$2.6 billion	3.4%
Iron and steel	$2.5 billion	3.2%
Non-industrial Manufactured Goods	$2.4 billion	3.1%
Agricultural Products	$2.3 billion	3%
Organic chemicals	$2.1 billion	2.7%
Medical instruments	$2 billion	2.6%
Plastic and plastic articles	$1.9 billion	2.4%
Furniture and accessories	$1.8 billion	2.3%
Total Exports to U.S.	$78 billion	

The chances of a recession are now more than ever with globally renowned economists predicting it. Although trump's pause of tariffs for 90 days has cooled the situation down a little bit, anything can happen as the market as it is at a very volatile

situation as of late. If the U.S. enters recession, India could drastically be impacted with high unemployment, inflation and crippling GDP Growth. Global tech giants and Renowned U.S. Companies would shift their manufacturing hub from India to the U.S. which would hurt the Indian economy and lead to unemployment. Offering focused assistance to industries most affected by the tariffs—such as interest subsidies, credit access, and incentives for exploring alternative markets with high potential and can help control and stabilise short-term economic instability and maintain employment in risky sectors. The most crucial thing in this situation for India right now is to strike a new trade deal with the U.S. and implement new policies to boost GDP Growth.

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